Among the acts and practices which will be considered in determining if an advertisement is bona fide are:

(1) The advertising of a product at a price applicable only to unusual or off size tires or for special purpose tires;

(2) The refusal to show or sell the product offered in accordance with the terms of the offer;

(3) The failure to have available at all outlets listed in the advertisement a sufficient quantity of the advertised product to meet reasonably anticipated demands, unless the advertisement clearly and adequately discloses that the supply is limited and/or the merchandise is available only at designated outlets;

(4) The disparagement by acts or words of the advertised product or the disparagement of the guarantee, credit terms, or in any other respect in connection with it;

(5) Use of a sales plan or method of compensation for salesmen or penalizing salesmen, designed to prevent or discourage them from selling the advertised product. [Guide 14]

§ 228.15 Deceptive pricing.

(a) *Former price comparisons.* One form of advertising in the replacement market is the offering of reductions or savings from the advertiser's former price. This type of advertising may take many forms, of which the following are examples:

Formerly $________ Reduced to $_______.
50% Off—Sale Priced at $_______.

Such advertising is valid where the basis of comparison, that is, the price on which the represented savings are based, is the actual bona fide price at which the advertiser recently and regularly sold the advertised tire to the public for a reasonably substantial period of time prior to the advertised sale. However, where the basis of comparison (1) is not the advertiser's actual selling price, (2) is a price which was not used in the recent past but at some remote period in the past, or (3) is a price which has been used for only a short period of time and a reduction is claimed therefrom, the claimed savings or reduction is fictitious and the purchaser deceived. Following are examples illustrating the application of this provision:

Example 1. Dealer A advertises a tire as follows: ''Memorial Day Sale—Regular price of tire, $15.95—Reduced to $13.95.'' During the preceding 6 months Dealer A has conducted numerous ''sales'' at which the tire was sold in large quantities at the $13.95 price. The tire was sold at $15.95 only during periods between the so-called ''sales.'' In these circumstances, the advertised reduction from a ''regular'' price of $15.95 would be improper, since that was not the price at which the tire was recently and regularly sold to the public for a reasonably substantial period of time prior to the advertised sale.

Example 2. Dealer B engaged in sale advertising weekly on the last 3 days of the week. It was his practice during the selling week to offer a particular line of tires at $24.95 on Monday, Tuesday, and Wednesday, and advertise the same line as ''Sale Priced $19.95'' on the final 3 days of the selling week. Use of the price for only 3 days prior to the reduction, even though the higher price is resumed after 3 days of ''sale'' advertising would not constitute a basis for claiming a price reduction. The higher price was not the regular selling price for a reasonably substantial period of time. Furthermore, when the higher price is used only for the first 3 days of the week and another price is used for the final 3 days, the higher price has not been established as a regular price, especially when most sales are made at the lower price during the final 3-day period.

(b) *Trade area price comparisons.* (1) Another recognized form of bargain advertising is to offer tires at prices lower than those being charged by others for the same tires in the area where the advertiser is doing business. Examples of this type of advertising where used in connection with the advertiser's own price are:

Sold Elsewhere at $_______.
Retail Value $_______.

(2) The tire market, because of its nature, requires that special care and precaution be exercised before this type of advertising is used. Trade area price comparisons are understood by purchasers to mean that the represented bargain is a reduction or saving from the price being charged by representative retail outlets for the same tires at the time of the advertisement.

(3) If a tire manufacturer decides to conduct a promotion of a particular tire, reduces the price in his wholly owned stores and independent dealers

follow the promotion price, the ''sale'' price has become the retail price in the area and it would be deceptive to represent that this ''sale'' price is reduced from that charged by others. In most circumstances where a promotion is sponsored by the manufacturer and is followed by the wholly owned stores and most of the independent dealers in the area, such trade area price comparisons would be improper.

(4) A trade area price comparison would be valid where an individual dealer, acting on his own, decides to lower the price of a tire significantly below that being charged by others in his area. In this situation, he would be honestly offering a genuine reduction from the price charged by others in his area.

(5) When using a retail price comparison great care should be exercised to make the advertising clear that the basis of the reduction or saving is the price being charged by others and not the advertiser's own former selling price.

(c) *Substantiality of reduction or savings.* In order for an advertiser to represent that a price is reduced or offers savings to purchasers without specifying the extent thereof, it is necessary that the represented reduction or savings be significant. When the amount of the reduction or savings is not stated in advertising and is not substantial enough to attract and influence prospective purchasers if they knew the true facts, the representation is deceptive.

Example Dealer C advertises a Fourth of July sale featuring X brand tires at a claimed reduction in price. The sale price in the advertisement is stated as $14.75 per tire. The advertisement does not state the former price of the tire. The tire previously had been sold at $14.95. Under the circumstances, the advertisement would be deceptive. The 20-cent reduction in price is insignificant when compared with the actual selling price of the tire. Purchasers generally, if they knew the amount of the reduction, would not be influenced sufficiently thereby to cause them to purchase the tire at the reduced price.

(d) *Representations of specific price reductions and savings.* (1) Advertisements which offer a specified amount or percentage of price reduction or savings should not be used where there is no determinable regular selling price, whether it be the advertiser's former price or the retail price in the area.

(2) The lack of a determinable actual selling price does not preclude all ''sale'' advertising. For example, if a dealer desires to offer a tire at a price which represents a significant reduction from the lowest price in the range of prices at which he has actually sold the tire in the recent regular course of his business, it would not be deceptive to advertise the tire with such representations as ''Sale Priced,'' ''Reduced'' or ''Save.''

(3) However, an advertiser is not precluded from offering specific savings from the lowest price at which he has actually sold tires, provided that the advertising clearly states that the offered savings are a reduction from the lowest previous selling price and not from the advertiser's regular selling price.

(e) *No trade-in prices.* (1) The most common device used in advertising is to offer a purported reduction or savings from a so-called ''no trade-in'' price. Prospective purchasers are entitled to believe this to mean that they would realize a savings from the price they would have had to pay for the tire prior to the ''Sale,'' either in cash or in cash plus the fair value of a traded-in tire. If this is not true, purchasers are deceived. Where a significant number of sales in relation to a seller's total sales is not made at the so-called ''no trade-in'' price and such price appreciably exceeds the price purchasers would normally pay the seller (including the fair value of any trade-in), use of the price as a basis for claiming a reduction or savings would be deceptive and contrary to this part.

(2) Representations of high trade-in allowances are sometimes used in combination with fictitious ''no trade-in'' prices to deceive purchasers. These may take the form of direct representations that a specified amount (usually significantly higher than the value of the tire carcass) will be allowed for a trade-in tire, or, representations of specific savings in the purchase of a new tire when a tire is traded in during a ''sale.'' In either case, the purchaser is given the illusion of a bargain in the guise of a high trade-in allowance

which he does not in fact receive if the amount of the allowance is deducted from a fictitiously high ''no trade-in'' price.

Example 1. An advertisement offers a 25 percent reduction during a May tire sale. The body of the advertisement sets forth a ''no trade-in'' price as the price from which the represented 25 percent reduction is made. However, such price represents the price at which only 15 percent of the advertiser's total sales were made and which was appreciably higher than the price at which the tire usually sold with a trade-in even with the addition of an amount representing a reasonable, bona fide trade-in allowance. Use of the ''no trade-in'' price in the advertisement is deceptive.

Example 2. Dealer D advertises, ''Now Get $4 to $10 Per Tire Trade-In Allowance'' in connection with the sale of a certain tire. Dealer D has regularly sold the tire for $12 to customers having a good recappable tire to offer in trade. During the regular course of Dealer D's business he has granted allowances ranging from 50 cents to $3, depending upon the condition of the tire taken in trade. During the advertised sale, however, Dealer D sells all of the tires at the manufacturer's suggested ''no trade-in'' price of $22 and deducts from that price the inflated trade-in allowances. Under the circumstances, the advertisement would be deceptive. Dealer D has not granted the allowances in connection with his regular selling price but has used instead the fictitious ''no trade-in'' price as a basis for offering the inflated allowances. The consumer has been led to believe that his old tire is worth far more than its actual value and Dealer D receives what has been his regular selling price or, in some instances, an amount in excess of the regular price, depending upon the allowance granted.

(f) *Combination offers.* (1) Frequent use is made in the tire market of purported bargain advertising which offers ''free'' or at a represented reduced price a tire, some other article of merchandise or a service, with the purchase of one or more tires at a specified price. The following are typical examples of this type of offer:

Buy 3, get four at no additional cost.
Buy one tire at $____, get second tire at 50% off.
Get a wheel free with purchase of each snow tire.
Free wheel alignment with purchase of two new tires.

Such advertising is understood by purchasers to mean that the price charged by the advertiser for the initial tire or tires to be purchased is the price at which they have been regularly sold by the advertiser for a reasonably substantial period of time prior to the sale, and that the amount of the purported reduction or the value of the so-called ''free'' article or service represents actual savings. If the price of the tires to be purchased is not the advertiser's regular selling price, purchasers are deceived.

Example. Dealer E advertises ''2nd Tire ½ Off When You Buy First Tire At Price Listed Below—No Trade-In Needed!'' In the body of the advertisement the first tire is listed as costing $25.15 and the second tire $12.57. The figure listed as the price for the first tire is not Dealer E's regular selling price, but the manufacturer's suggested ''no trade-in'' price. E's regular selling price prior to the so-called sale had been $18.85 per tire. Under the circumstances, the ''½Off'' offer would be deceptive. The basis for the advertised offer is not the advertiser's actual selling price for the tire. While consumers are led to believe that they are being afforded substantial savings by purchasing a second tire, in fact they are paying Dealer E's regular selling price for two tires.

(g) *Federal Excise Tax.* Since the Federal Excise Tax on tires is assessed on the manufacturer and is based on the weight of the materials used and not the retail selling price, the tax should be included in the price quoted for a particular tire, or the amount of the tax set out in immediate conjunction with the tire price. For example, assuming the tax on a particular tire to be $1 and the advertised selling price $9.95, the price should be stated as ''$10.95'' or ''$9.95 plus $1 Federal Excise Tax'' and not ''$9.95 plus Federal Excise Tax.''

(h) *Advertising furnished by tire manufacturers.* It is the practice of some tire manufacturers to supply advertising to independent as well as to wholly owned retail outlets in local trade areas. A tire manufacturer providing advertising material to be used in local trade areas by either wholly owned or independent outlets is responsible for the representations made in such advertising and should base price and savings claims on conditions actually existing in the particular areas. In view of price fluctuations at the local level, the general dissemination (i.e., in more than one trade area) to independent retail outlets of advertising material containing stated prices or reduction claims results in deception[1] and is, accordingly, contrary to this part. [Guide 15]

§ 228.16 Guarantees.

(a) In general, any advertising containing a guarantee representation shall clearly and conspicuously disclose:

(1) *The nature and extent of the guarantee.* (i) The general nature of the guarantee should be disclosed. If the guarantee is, for example, against defects in material or workmanship, this should be clearly revealed.

(ii) Disclosure should be made of any material conditions or limitations in the guarantee. This would include any limitation as to the duration of a guarantee, whether stated in terms of treadwear, time, mileage, or otherwise. Exclusion of tire punctures also would constitute a material limitation. If the guarantor's performance is conditioned on the return of the tire to the dealer who made the original sale, this fact should be revealed.

(iii) When a tire is represented as ''guaranteed for life'' or as having a ''lifetime guarantee,'' the meaning of the term *life* or *lifetime* should be explained.

(iv) Guarantees which under normal conditions are impractical of fulfillment or for such a period of time or number of miles as to mislead purchasers into the belief the tires so guaranteed have a greater degree of serviceability or durability than is true in fact, should not be used.

(2) *The manner in which the guarantor will perform.* This consists generally of a statement of what the guarantor undertakes to do under the guarantee. Types of performance would be repair of the tire, refund of purchase price or replacement of the tire. If the guarantor has an option as to the manner of the performance, this should be expressly stated.

(3) *The identity of the guarantor.* The identity of the guarantor should be clearly revealed in all advertising, as well as in any documents evidencing the guarantee. Confusion of purchasers often occurs when it is not clear whether the manufacturer or the retailer is the guarantor.

(4) *Pro rata adjustment of guarantees*—(i) *Disclosure in advertising.* Many guarantees provide that in the event of tire failure during the guarantee period a credit will be allowed on the purchase price of a replacement tire, the amount of the credit being in proportion to the treadwear or time remaining under the guarantee. All advertising of the guarantee should clearly disclose the pro rata nature of the guarantee and the price basis upon which adjustments will be made.

(ii) *Price basis for adjustments.* Usually under this type of guarantee the same predetermined amount is used as a basis for the prorated credit and the purchase price of the replacement tire. If this so-called ''adjustment'' price is not the actual selling price but is an artificial, inflated price the purchaser does not receive the full value of his guarantee. This is illustrated by the following example:

''A'' purchases a tire which is represented as being guaranteed for the life of the tread. After 75 percent of the tread is worn, the tire fails. The dealer from whom ''A'' seeks an adjustment under his guarantee is currently selling the tire for $15 but the ''adjustment'' price of the tire is $20. ''A'' receives a credit of 25 percent or $5 toward the price of the replacement tire. This credit is applied not on the actual selling price but on the artificial ''adjustment'' price of $20. Thus, ''A'' pays $15 for the new tire which is the current selling price of the tire.

Under the facts described in this illustration the guarantee was worthless as the purchaser could have purchased a new tire at the same price without a guarantee. If 50 percent of the tread remained when the adjustment was made, the purchaser would have received a credit of $10 toward the $20 replacement price. He must still pay $10 for a replacement tire. Had the adjustment been made on the basis of the actual selling price he would have obtained a new tire for $7.50. Thus, while deriving some value from his guarantee

[1] This part does not deal with the question of whether such practice may be improper as contributing to unlawful restraints of trade connected with the enforcement of the Antitrust Laws and the Federal Trade Commission Act.